



State of Utah

DEPARTMENT OF COMMERCE

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Internet Auctions: Both Deals and Scams Thrive Online

Internet auctions, they are current hot way to shop for bargains. After all, why bother to drive around the neighborhood looking for yard sales when you can shop for exactly what you want from the comfort of your own home.

It is not unheard of for eBay, recognized as the world's largest online auction, to have over 2.5 million items up for auction at one time. Almost anything you can imagine is for sale by someone, somewhere online. From Marilyn Monroe memorabilia to President Ronald Reagan collectable trading cards, vintage cars to Pokeman, computers to . . . well, if Mitt Romney has his way, tickets to the Olympics. It is all there at your fingertips, something for everyone, for a price.

But, as the popularity of online buying increases, so do the reports of fraud, misrepresentations and out and out bogus sales.

In online auctions, you usually do not know the identity of the seller. It could be a guy down the street selling his collection of Hot Wheels, a lady in Virginia selling cameras, or a con artist with plans of collecting a few fast dollars. Often, sellers, and buyers, do not even use their real names. Rather they are identified by a nickname or user identification name.

And, it seems that the more popular the item, the higher the risk for a bogus sale. Computer equipment, the popular Beanie Babies and sports memorabilia are just a few of the many items that seem to attract fraudulent sales.

At most, when you bid on an item, you may know the seller's email address and the city where they say they are located. Online auction companies do not regulate their sellers or verify their identities and you have no guarantees that you will get the item you have purchased once you mailed off your money order or check.

Most sellers will only accept money orders and certified checks; in fact 90 percent of payments are made this way. This protects the seller because he has his money before a buyer is sent the purchased product. Some sellers, that are also businesses, accept credit cards, but only about 4 percent of payments are made this way. If credit cards are accepted, it is recommended that you pay using one as a means of protecting yourself.

Another option is to use an online escrow agency. These are companies which, for a fee or commission, will act as an intermediary for the purchase. The buyer sends their payment to the escrow house, once it is received and confirmed the escrow agent informs the seller who ships the product. Upon receipt of the product, the buyer releases the escrowed payment and it is forwarded to the seller.

Under no circumstances should cash be sent for any purchase.

The buyer is responsible for making the payment and shipping arrangements directly with the seller. The auction web sites do not take responsibility for the transactions. It is very much a “buyer beware” environment. However, most auction sites provide “feedback” or “ratings” about sellers. These services provide useful information about the seller’s track record. If a seller has a negative rating it would be a good idea to avoid that seller.

While most sellers are individuals, more and more small companies are selling via online auctions. Make every effort to find out what type of auction site you are dealing with. If you are dealing with a seller that is a business, check to see if any warranties or certification is available, especially if the product is new or is a “collectable.”

Another way to help reduce your chances of becoming a victim is to find out as much as possible about the seller. The seller will provide the address to send the payment. Get a phone number also. Then check to see if the seller is listed in his local phone book at that address and number.

The online auctions can be a good way to bargain shop, but do your homework and don’t get caught under the gavel.

Online Auction Tips:

- Know what you are buying.
- Check other sources for the items value.
- Search for past auctions on the same item for price reference.
- Know as much about the seller as possible.
- Check the seller’s feedback rating.
- Are returns allowed?
- Who pays and how much are shipping costs?
- Ask questions before you bid.
- Never send cash.
- If the deal sounds too good to be true or you are suspicious, skip it and move on.
- Keep printouts of all transactions and emails.
- Ask questions you may have in the auction chat room sites, because experienced users can sometimes be more helpful than the web site’s customer service.
- Report all problems and possible scams to the website.

If an individual believes they have been victimized by an online purchase they should contact the Utah Division of Consumer Protection at 801 530-6001 or the Federal Trade Commission at: 1-877-FTC-HELP.